Spur Ventures Inc.

Consolidated Financial Statements
December 31, 2007 and 2006
(expressed in U.S. dollars)

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles and include a summary prepared by management reconciling significant differences between Canadian and United States generally accepted accounting principles as they affect these financial statements. The financial statements contain estimates based on management's judgement. Management maintains an appropriate system of internal controls to provide reasonable assurance that transactions are authorized, assets safeguarded, and proper records maintained.

The Audit Committee of the Board of Directors has met with the Company's independent auditors to review the scope and results of the annual audit and to review the consolidated financial statements and related financial reporting matters prior to submitting the consolidated financial statements to the Board for approval.

The Company's independent auditors, PricewaterhouseCoopers LLP, are appointed by the shareholders to conduct an audit of the annual financial statements, and their report follows.

Robert J. Rennie
Chief Executive Officer

Chief Financial Officer

March 31, 2008

Independent Auditors' Report

To the Shareholders of
Spur Ventures Inc.

We have audited the consolidated balance sheets of **Spur Ventures Inc.** as at December 31, 2007 and 2006 and the consolidated statements of operations and deficit, comprehensive income (loss) and cash flows for each of the two years in the period ended December 31, 2007. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2007 and 2006 and the results of its operations, comprehensive income (loss) and its cash flows for each of the two years in the period ended December 31, 2007 in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Vancouver, British Columbia
March 31, 2008

Spur Ventures Inc.

Consolidated Balance Sheets

As at December 31, 2007 and 2006

(Expressed in U.S. dollars)

	2007	(Restated - see Note 2) 2006
ASSETS		
Current		
Cash and cash equivalents (Note 4)	$ 21,124,306	$ 10,994,262
Short-term investments (Note 5)	3,862,759	15,503,683
Accounts and notes receivable	239,322	1,247,384
Inventory (Note 6)	519,992	2,429,443
Prepaid expenses	152,182	599,116
Due from joint venture partner (Note 11)	309,728	266,599
	26,208,289	31,040,487
Property, plant & equipment (Note 7)	4,380,126	4,056,955
Land use rights (Note 8)	387,475	340,608
Deferred acquisition costs (Note 10)	-	447,834
Other assets	-	44,019
	$ 30,975,890	$ 35,929,903
LIABILITIES		
Current		
Accounts payable and accrued liabilities	$ 730,176	$ 1,716,013
Customer deposits	37,998	682,709
Bank loans (Note 12)	-	1,270,970
	768,174	3,669,692
Minority interest (Note 9)	441,420	-
Subsequent events (Note 19)		
SHAREHOLDERS' EQUITY		
Capital stock		
Authorized - (Note 13(a))		
Unlimited number of Common and Preferred shares without par value		
Issued - (Note 13(b))		
58,740,520 Common shares (2006: 58,740,520)	39,822,134	39,822,134
Contributed surplus (Note 13(c))	7,536,550	7,293,323
Accumulated other comprehensive income (Note 2(b))	5,812,795	3,712,546
Deficit	(23,405,183)	(18,567,792)
	29,766,296	32,260,211
	$ 30,975,890	$ 35,929,903

APPROVED BY THE DIRECTORS

Robert G. Atkinson	*Robert J. Rennie*
Director	Director

The accompanying notes are an integral part of these consolidated financial statements.

Spur Ventures Inc.

Consolidated Statements of Operations and Deficit

For the years ended December 31, 2007 and 2006

(Expressed in U.S. dollars)

	2007	(Restated - see Note 2) 2006
Sales	$ 7,042,959	$ 7,193,009
Cost of sales	6,909,786	7,018,628
Gross Profit	133,173	174,381
Expenses		
Consulting fees	358,369	172,566
Depreciation and amortization	298,423	332,760
Interest	86,382	207,364
Loss on disposal of fixed assets	-	41,633
Mineral property costs (Note 2)	1,570,829	555,108
Office and miscellaneous	414,245	516,088
Printing and mailing	35,594	41,368
Professional fees	215,912	621,795
Provision for bad debts	378,401	2,313
Rent	254,239	238,593
Repairs and maintenance	19,194	32,102
Selling expenses	375,948	331,938
Stock-based compensation expenses (Note 13(d))	243,227	352,433
Transfer agent and filing fees	44,568	141,831
Travel, advertising and promotion	244,485	247,253
Wages and benefits	1,004,093	760,087
	5,543,909	4,595,232
Operating loss	(5,410,736)	(4,420,851)
Other income and expenses		
Interest income	1,035,831	1,168,316
Write-off of deferred acquisition costs (Note 10)	(445,802)	-
Impairment of long-lived assets	-	(4,328,622)
Foreign exchange gain (loss)	(16,684)	93,939
	573,345	(3,066,367)
Loss before minority interest	(4,837,391)	(7,487,218)
Minority interest	-	462,306
Loss for the year	(4,837,391)	(7,024,912)
Deficit, Beginning of the year (Note 2)	(18,567,792)	(11,542,880)
Deficit, End of the year	$ (23,405,183)	$ (18,567,792)
Basic and diluted income/(loss) per common share	$ (0.08)	$ (0.12)
Weighted average number of common shares outstanding	58,740,520	58,480,520

The accompanying notes are an integral part of these consolidated financial statements.

Spur Ventures Inc.

Consolidated Statements of Comprehensive Income (Loss)

As at December 31, 2007 and 2006

(Expressed in U.S. dollars)

	2007	(Restated - see Note 2) 2006
Loss for the year	$ (4,837,391)	$ (7,024,912)
Other comprehensive income, net of tax:		
Unrealized gains on translating financial statements from functional currency to reporting currency	2,100,250	111,451
Comprehensive income (loss)	$ (2,737,141)	$ (6,913,461)

The accompanying notes are an integral part of these consolidated financial statements.

Spur Ventures Inc.

Consolidated Statements of Cash Flows

For the years ended December 31, 2007 and 2006

(Expressed in U.S. dollars)

	2007	(Restated - see Note 2) 2006
Cash flows from operating activities		
Net loss	$ (4,837,391)	$ (7,024,912)
Items not affecting cash		
Depreciation and amortization	609,657	801,320
Stock-based compensation	243,227	352,433
Foreign exchange (gain)/loss	16,684	(93,939)
Loss on disposal of fixed assets	-	41,633
Provision for bad debts	378,401	2,313
Acquisition costs written off	447,834	-
Non-cash mineral property cost	441,420	-
Impairment of long-lived assets	-	4,328,622
Net changes in non-cash working capital		
Accounts receivable	753,998	(853,966)
Inventory	2,155,960	240,145
Prepaid expenses	509,657	(307,893)
Accounts payable and accrued liabilities	(1,189,229)	(625,268)
Customers deposits	(705,261)	552,643
Minority interest	-	(335,193)
Other Operating	47,725	(33,579)
	(1,127,318)	(2,955,641)
Cash flows from investing activities		
Capital expenditures	(224,829)	(884,700)
Proceeds from disposal of investments	67,281,411	1,763,335
Purchase of short-term investments	(55,376,123)	(11,093,962)
	11,680,459	(10,215,327)
Cash flows from financing activities		
Issuance of shares for cash - net of issue costs	-	461,275
Due from related parties	4,304	-
Bank indebtedness repayment	(1,377,988)	(1,461,304)
	(1,373,684)	(1,000,029)
Effect of exchange rate changes	950,587	177,160
Increase (decrease) in cash and cash equivalents	10,130,044	(13,993,837)
Cash and cash equivalents, beginning of period	10,994,262	24,988,099
Cash and cash equivalents, end of period	$ 21,124,306	$ 10,994,262
Supplemental cash flow disclosure		
Interest received	1,165,483	1,257,264
Interest paid	(85,757)	(322,162)

The accompanying notes are an integral part of these consolidated financial statements.

(Expressed in U.S. dollars)

1 Nature of operations

Spur Ventures Inc. (the "Company") is developing a fully integrated fertilizer business in the People's Republic of China ("China"). The recoverability of the amounts shown as property, plant and equipment ("the fertilizer facility") is dependent upon the ability of the Company to complete the expansion and the construction of new facilities on the site of the existing fertilizer plant to allow for additional product mix and future profitable production or proceeds from the sale of the fertilizer facility.

In December 2003, the Company entered into agreements to obtain title to certain mineral properties located in Hubei Province, China by forming a 90% owned Joint Venture company, Yichang Maple Leaf Chemicals Ltd. ("YMC"), with Hubei Yichang Phosphorous Chemical Co. Ltd. ("YPCC"). YMC is intended to undertake the development of the phosphate mines and to build compound phosphate fertilizer production facilities.

During 2004, the Company acquired Xinyuan Chemicals Ltd. and formed a 72.18% owned Joint Venture company, Yichang Spur Chemicals Ltd. ("YSC"), which owns the fertilizer facility, located in Hubei Province, China. The other two minority partners are YPCC which owns 16.69% and Yichang Yuanfeng Chemical (Yuanfeng) which owns 11.13%.

During the third quarter of 2007, management concluded that the price level of raw materials, especially potash, was too high for the fertilizer facility to be viable. In response to the losses and sustained cash flow outflows, the fertilizer plant was idled and remains idled to date. Management have initiated plans to convert and expand the plant to be able to produce an intermediary fertilizer product as well as the ability to produce the existing product or a combination of these two products. Technical and feasibility analysis has been completed and the tendering process has commenced. However, there are significant risks and measurement uncertainties that are not within the Company's control. Such risks and measurement uncertainties include, but are not limited to; construction cost risks, raw material sourcing risks, product marketing risks, political risks, raw material costs and financing risks. The economic model for the production of the intermediary fertilizer product is highly sensitive to changes in the selling price of the new product and to the price of sulphuric acid and phosphate rock. Due to the lead times and the construction period, operations are not expected to re-commence until early in the 2009 fiscal year and accordingly the assumptions used in the model could vary significantly.

Management have not recorded a current impairment charge against the existing land use rights (Note 8), fertilizer plant and equipment (Note 7) or the associated spare parts as management are confident that their conversion and expansion plans for the plant will generate profitable operations in the future. Management remain confident that they will reach a successful transfer of the mining licenses into the Company (Note 9), thereby securing a long-term source of phosphate rock and in the short-term that they will be able to secure sufficient quota for phosphate rock for the new fertilizer plant. There remain additional risks and uncertainties that the transfer of the mining licenses will be approved, that economic ore reserves will be identified and that the significant equity or debt financing for the project will be available to the Company. The phosphate rock project would still face additional risks and uncertainties, including, but not limited to, raw material and construction cost risks, product marketing risks, and political risks.

The recoverability of the Company's investment in property rights, plant and equipment and spare parts in China is dependent upon these plans or the ability of the Company to dispose of the assets and recover its investment. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary should these material risks and measurement uncertainties prove to be insurmountable, and these adjustments could be material.

(Expressed in U.S. dollars)

2 Change in Accounting Policy and Adoption of Recent Accounting Pronouncements

During the year ended December 31, 2007, the Company retrospectively changed its accounting policy for exploration expenditures to more appropriately align itself with policies practiced in the United States and those applied by other companies in the fertilizer industry. Prior to the year ended December 31, 2007, the Company capitalized all such costs to mineral properties and only wrote down capitalized costs when either the property was abandoned or if the capitalized costs were not considered to be economically recoverable. Exploration expenditures are now charged to earnings as they are incurred.

The impact of this change in 2007 was to increase the loss for the year ended December 31, 2006 by $555,108 from $6,469,804 to $7,024,912, reduce mineral properties by $3,112,768 at December 31, 2006 and by $2,557,660 at December 31, 2005 and to increase the deficit at January 1, 2007 by $3,112,768 from $15,455,024 to $18,567,792 and at January 1, 2006 by $2,557,660 from $8,985,220 to $11,542,880 and to increase loss per share from ($0.11) to ($0.12) for the year ended December 31, 2006.

Effective January 1, 2007, the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA).

a) Section 3855, *Financial Instruments – Recognition and Measurement*, and Section 3862 & 3863, *Financial Instruments – Disclosure and Presentation*, prescribe the criteria for recognition and presentation of financial instruments on the balance sheet and the measurement of financial instruments according to prescribed classifications. These sections also address how financial instruments are measured subsequent to initial recognition and how the gains and losses are recognized.

The Company is required to designate its financial instruments into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments are to be initially measured at fair value. Financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income respectively. All other financial instruments are subsequently measured at amortized cost.

All derivative financial instruments, including derivative features embedded in financial instruments or other contracts but which are not considered closely related to the host financial instrument or contract, are generally classified as held for trading and, therefore, must be measured at fair value with changes in fair value recorded in net earnings. However, if a derivative financial instrument is designated as a hedging item in a qualifying cash flow hedging relationship, the effective portion of changes in fair value is recorded in other comprehensive income. Any change in fair value relating to the ineffective portion is recorded immediately in net earnings.

The Company has designated its financial instruments as follows:

- Cash and cash equivalents and short-term investments are classified as “Available for sale” and are recorded at their fair value.
- Accounts receivable are classified as *“Loans and Receivables”*. These financial assets are recorded at values that approximate their amortized cost using the effective interest method.
- Accounts payable and accrued liabilities, customer deposits, and bank loans are classified as *“Other Financial Liabilities”*. These financial liabilities are recorded at values that approximate their amortized cost using the effective interest method.

The carrying values of cash and cash equivalents, short-term investments, accounts receivable, and accounts payable and accrued liabilities approximate their fair values due to the short periods to maturity. Bank loans are carried at current value. Management has determined that there are no embedded derivatives.

Management has determined that there was no effect to the opening balances of the Company upon adoption of this standard at January 1, 2007.

b) Section 1530, *Comprehensive Income*, introduces a new item in the Company's financial statements, “Statement of Comprehensive Income” and provides guidance for the reporting and display of other comprehensive income. Comprehensive income represents the change in equity of an enterprise during a period from transactions and other events arising from non-owner sources including gains and losses arising on translation of financial statements from the functional currency to the reporting currency, gains and losses from changes in fair value of available for sale financial assets and changes in the fair value of the effective portion of cash flow hedging instruments.

Prior to the inclusion of gains and losses arising on translation of financial statements from the functional currency to the reporting currency in other comprehensive income, such adjustments were included in the cumulative translation adjustment within shareholders’ equity. Upon adoption of Section 1530 at January 1, 2007, the Company reclassified $3,712,546 of cumulative translation adjustment to accumulated other comprehensive income.

c) Section 3865, *Hedges* specifies the criteria under which hedge accounting may be applied, how hedge accounting should be performed under permitted hedging strategies and the required disclosures.

The adoption of this standard did not have an impact on the Company as at January 1, 2007 or for the year ended December 31, 2007.

3 Significant Accounting Policies

Reporting in U.S. dollars and foreign currency translations

The Company’s functional currency is the Canadian dollar (“CAD”) and its reporting currency is the U.S. dollar (“USD”). The Company’s Chinese subsidiaries, are integrated operations as they are dependent on Spur’s cash injections for working capital and repayments of loans. Accordingly, the Company uses the temporal method to translate these subsidiaries into Canadian dollars. Under this method, monetary assets and liabilities are translated at year-end exchange rates and items included on the statements of operations and cash flows are translated at rates in effect at the time of the transaction. Non-monetary assets and liabilities are translated at historical rates. The gain or loss on translation is charged to the statement of operations.

The Company then uses the current rate method to translate from the Canadian dollar functional currency amounts into the USD reporting currency. Under this method, all assets, liabilities, operating activities and cash flows are translated at the year end rate and the resulting unrealized gain or loss on translation is recognized as other comprehensive income.

Principles of consolidation and preparation of financial statements

These consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles (“GAAP”).

These consolidated financial statements include the accounts of the Company, its two Sino-foreign Joint Venture companies, YSC and YMC, which are controlled by the Company, and its wholly owned subsidiary, Spur Chemicals (BVI) Inc. All significant inter-company transactions and accounts have been eliminated. Certain comparative figures have been reclassified to conform to the current period’s presentation.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, term deposits and short term highly liquid investments with the original term to maturity of 90 days or less, which are readily convertible to known amounts of cash and which, in the opinion of management, are subject to an insignificant risk of changes in value. Such financial assets are stated at cost, and therefore are recorded at fair value.

To limit its foreign exchange and credit exposure, the Company deposits its funds with large financial institutions in US dollars, Canadian dollars, or Chinese Renminbi.

Short Term Investments

Short term investments with an original maturity of greater than 90 days and less than 1 year are recorded at their respective fair values, in accordance with the adoption of CICA 3855.

Revenue recognition

The Company recognizes revenues to external customers when the product is shipped and title passes along with the risks and rewards of ownership, provided collection is reasonably assured. The above conditions are met when persuasive evidence of an arrangement exists, delivery has occurred, and the price is fixed or determinable. Transportation costs are recovered from the customer through product pricing.

Mineral properties costs

The costs of acquiring and developing mineral properties or property rights are capitalized and deferred until such time as the property is put into production, or the property is disposed of, either through sale or abandonment. Upon commencement of commercial production, the cost of acquisition will be amortized over the life of the property, based on estimated economic reserves. Proceeds received from the sale of any interest in a property will be credited against the carrying value of the property, with any excess included in operations for the period. If a property is abandoned, the acquisition costs will be written off to operations.

Management reviews capitalized costs on its mineral properties on a periodic basis and will recognize impairment in value based upon current exploration results and upon management’s assessment of the probability of profitable revenues from the property or sale of the property.

Recorded costs of mineral properties are not intended to reflect present or future values of resource properties. The recorded costs are subject to measurement uncertainty and it is reasonably possible, based on existing knowledge, that changes in future conditions could require a material change in the recognized amount.

(Expressed in U.S. dollars)

The titles of the mining properties have been issued to our Joint Venture company partner, YPCC, for the exclusive use of YPCC's equity contribution to the YMC Joint Venture. In Canada, our Sino-foreign joint venture agreement with YPCC would be sufficient protection to proceed with mining but in China, for greater certainty, we are ensuring the formal transfer of the titles from YPCC to the YMC joint venture.

Mineral property exploration expenditures

During the year ended December 31, 2007, the Company changed its accounting policy relating to mineral property exploration expenditures and it now expenses exploration expenditures when incurred (See Note 2).

Property, plant and equipment

Property, plant and equipment assets are recorded at cost less accumulated depreciation and impairment provisions. Depreciation is computed using the straight-line method at the following rates calculated to depreciate the cost of the assets less their residual values over their estimated useful lives:

Building	5.00%
Machinery and equipment	8.33% - 10.00%
Motor vehicle	20.00%
Office equipment and furniture	20.00%
Computer equipment	33.33%
Leasehold improvement	20.00%

Land use rights

The land use rights are for 50 years and are recorded at cost less accumulated depreciation and an impairment provision. They are amortized on a straight-line basis over the initial term of the business license of our fertilizer plant operations of 30 years.

Impairment of long-lived assets

Management regularly reviews the net carrying value of each long-lived asset. Estimated future net cash flows are calculated using estimated future prices, proven and probable reserves, selling prices for fertilizer products, and operating, capital and reclamation costs on an undiscounted basis to determine if the carrying amount is not recoverable. If the carrying amount exceeds the sum of the undiscounted cash flows expected to result from its use and eventual disposal, reductions in the carrying value of long-lived assets would be recorded to the extent the net book value of the related assets exceeds its fair value estimated by the net present value of expected future net cash flows.

Where estimates of future net cash flows are not available and where other conditions suggest impairment, management assesses if the carrying value can be recovered.

Management's estimates of mineral prices, recoverable proven and probable reserves, selling prices for fertilizer products, and operating, capital and reclamation costs are subject to certain risks and uncertainties which may affect the recoverability of long-lived assets. Although management has made its best estimate of these factors, it is possible that changes could occur in the near term, which could adversely affect management's estimate of the net cash flow to be generated from its assets.

Asset retirement obligations

The accounting for asset retirement obligations encompasses the accounting for the Company's legal and contractual obligations associated with the retirement of a tangible long-lived asset that results from the acquisition, construction or development and/or the normal operation of a long-lived asset. The retirement of a long-lived asset is its other than temporary removal from service, including its sale, abandonment, recycling or disposal in some other manner.

According to current Chinese environmental regulations and contracts of the Company, there is no obligation for the Company to dismantle and remove plant and equipment or to remediate sites upon the cessation of operations. The Company pays an annual environmental fee to the local government as the cost of operating a chemical site. This fee is calculated as a percentage of the annual revenues and is expensed as incurred. Future changes to Chinese environmental regulation may have a material impact on the assessment of asset retirement obligations.

Inventory

Inventory of consumables and parts are valued at the lower of cost or replacement cost. Inventory of raw materials and fertilizers are valued at the lower of cost and net realizable value. Net realizable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Cost of finished goods is calculated using the weighted average method comprising all costs of purchases, costs of conversion and other costs incurred, including overhead allocation.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Items subject to significant management estimates include the amounts recorded for stock-based compensation and the assessment of recoverable values for inventories and property, plant and equipment. Actual results could differ from those reported.

Stock-based compensation

The Company accounts for stock options using the fair value method. Fair value is measured using the Black-Scholes valuation model on the date of grant of stock options, and is recognized as stock-based compensation expense and shareholders' equity over the stock option life assuming no forfeiture. When employee stock options are forfeited or expired unexercised, previously recognized unvested charge is reversed. Consideration paid on exercise of share purchase options is recorded as share capital.

(Expressed in U.S. dollars)

Loss per common share

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the year. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the year, if exercised. For this purpose, the "treasury stock method" is used whereby the assumed proceeds upon the exercise of stock options and warrants are used to purchase common shares at the average market price during the year.

For the years ended December 31, 2007 and 2006, the Company excluded potential common share equivalents from the loss per share calculation as they were considered anti-dilutive.

Income taxes

The Company follows the asset and liability method for accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on the differences between the tax basis of assets and liabilities and the amounts reported in the financial statements. The future tax assets or liabilities are calculated using the tax rates for the periods in which the differences are expected to be settled. Future tax assets are recognized to the extent that they are considered more likely than not to be realized.

Recently Enacted but not yet Effective Accounting Pronouncements

There are three new CICA accounting standards that have been issued but not yet adopted by the Company. These three standards will become effective for the Company on January 1, 2008.

CICA Handbook Section 3031 "Inventories" prescribes the accounting treatment for inventories and provides guidance on the determination of inventory costs and its subsequent recognition as an expense, including any write-down to net realizable value.

CICA Handbook Section 1535 "Capital Disclosures" establishes standards for disclosing information about an entity's capital and how it is managed.

CICA Handbook Section 3862 "Financial Instrument Disclosures" requires entities to provide disclosure of quantitative and qualitative information in their financial statements that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and management's objectives, policies and procedures for managing such risks..

4 Cash and cash equivalents

Cash and cash equivalents of $21,124,306 includes $20,686,550 U.S. Dollar Term Deposits with a major Canadian financial institution. The term deposits bear interest rates from 4.6% to 4.62% per annum up to 60 days and mature in January 2008.

(Expressed in U.S. dollars)

5 Short-term investments

Short-term investments of $3,862,759 consist of $2,606,693 Canadian Dollar Term Deposits and $1,256,066 Chinese Renminbi Term Deposits, with maturities over 90 days and held in the accounts of the Chinese subsidiaries and the representative office. The repatriation of these investments to Canada is subject to the approval of the State Administration of Foreign Exchange. The term deposits bear interest rates from from 2.1% to 3.42% per annum up to six months and mature between January and April, 2008.

6 Inventory

	2007	**2006**
	$	**$**
Raw materials	280,107	578,122
Finished goods	16,799	1,740,663
Consumables and parts	223,086	356,300
	519,992	2,429,443

7 Property, plant and equipment

	December 31, 2007			**December 31, 2006**				
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value before impairment	Impairment	Net Book Value
Building	$ 1,843,370	$ 114,684	$ 1,728,686	$ 3,649,129	$ 366,800	$ 3,282,329	$ 1,686,001	$ 1,596,328
Construction in progress	210,126	-	210,126	283,412	-	283,412	68,312	215,100
Machinery and equipment	2,467,075	293,918	2,173,157	5,288,130	1,011,040	4,277,090	2,196,972	2,080,118
Motor vehicles	163,572	56,080	107,492	136,446	41,284	95,162	5,763	89,399
Office equipment and furniture	207,486	67,819	139,667	111,305	47,643	63,662	11,933	51,729
Leasehold improvement	38,179	17,181	20,998	32,374	8,093	24,281	-	24,281
Total PP&E	**$ 4,929,808**	**$ 549,682**	**$ 4,380,126**	**$ 9,500,796**	**$ 1,474,860**	**$ 8,025,936**	**$ 3,968,981**	**$ 4,056,955**

An impairment loss of $3,968,981 was recognized during 2006 as the carrying amount of the property, plant and equipment exceeded the sum of the undiscounted cash flows expected to result from its use and eventual disposition. The impairment was recorded by comparing the excess of the carrying value of these assets over the fair value of the estimated future cash flows and included expectations about possible variations in the amount or timing of those cash flows, the time value of money, represented by the risk-free rate of interest, and the price for bearing the uncertainty inherent in the asset.

8 Land use rights

	December 31, 2007			**December 31, 2006**				
	Cost	**Accumulated Amortization**	**Net Book Value before**	**Cost**	**Accumulated Amortization**	**Net Book Value before Impairment**	**Impairment**	**Net Book Value after Impairment**
Land Use Rights	$ 401,691	$ 14,216	$ 387,475	$ 758,643	$ 58,394	$ 700,249	$ 359,641	$ 340,608

Land use rights refer to the ability of the Company to operate a fertilizer and phosphoric acid facility for a period of 50 years. These land use rights are provided by the municipal government and are being amortized over the initial 30-year term of the related business license as this is currently believed to approximate the estimated useful life. An impairment loss of land use rights, similar to the impairment of property, plant and equipment was recognized during 2006.

9 Mineral properties

In 1996, the Company entered into an agreement with YPCC for the exclusive right to develop the Yichang phosphate deposit, which is located in Hubei Province in China. To date, the company has not yet secured title to any mineral claims. Under this agreement, the Company could earn a 90% interest in the property by taking the property through mining and into fertilizer production. The Chinese government will earn a 10% interest by contributing land and the mineral rights.

In 1999, the Company completed the preliminary feasibility study report conducted jointly by the Northern China Chemical Mine Planning and Design Institute and China Wuhuan Chemical Engineering Corp. Final project approval was also received from the Chinese government. In November 2000, a feasibility study and an environmental impact assessment study were completed. During 2001, the China Environment Protection Bureau approved the environmental study of the Yichang project. In April 2002, a feasibility study was updated by Jacobs Engineering Corporation. In early 2002, the Company commenced its application for a mining permit through YPCC. The mining licenses for the Dianziping and Shukongping mines were issued by Central Land and Resources Department to Spur's JV partner YPCC in February and October of 2004 respectively.

In 2003, the Company and YPCC formed a Joint Venture company, YMC, to undertake the development of the project, with the Company entitled to 90% ownership and YPCC entitled to 10%. Each of YPCC and Spur were required to make an initial contribution of a minimum of 15% of their relative ownership ratios based on the total registered capital required by the Chinese authorities. In March 2005, the official transfer process from YPCC to YMC began when Spur made its initial capital contribution to the registered capital of YMC. In 2007, YPCC made its initial contribution to the registered capital of YMC. Under the terms of the agreement to form YMC, the balance of YPCC's required capital contribution will be the completion of the transfer of the mining licenses. Upon YPCC making its initial capital contribution a minority interest of $441,420 was determined and there was no significant change in this interest from the date of the registration of the contribution in China to December 31, 2007.

Since inception, all activities at YMC have been centered on the mining license transfer, with costs incurred in engineering studies, coordination of government relations and public relations activities.

During the year ended December 31, 2007, the Company changed its accounting policy relating to mineral property exploration expenditures and it now expenses exploration expenditures when incurred (See Note 2).

10 Deferred acquisition costs and Tianren acquisition

On June 18, 2006, the Company entered into an agreement to acquire certain fertilizer related business of Hebei Tianren Chemical Corporation. The Company incurred due diligence, legal and other costs in connection with the proposed acquisition, which were deferred and capitalized. Due to delays in obtaining government approvals for the acquisition, certain downturns in these businesses and upon expiry of the most recent extension of the agreement on December 31, 2007, the Company abandoned the acquisition and wrote-off the previously capitalized deferred acquisition costs in the amount of $445,802.

(Expressed in U.S. dollars)

11 Due from joint venture partner

The Company has the following amounts due from the minority interest shareholder:

	December 31, 2007		December 31, 2006	
	RMB	$	RMB	$
Receivables from YPCC	2,261,960	309,728	2,182,469	279,623
Other amounts due to YPCC and related companies	-	-	(101,651)	(13,024)
Total due from YPCC	2,261,960	309,728	2,080,818	266,599

The amount due from YPCC bears interest at 3.5% per annum and is repayable on demand should the amount of this receivable exceeds the value of the minority interest held by YPCC.

12 Bank loans

Details of amounts owing to the Industry & Commerce Bank of China ("ICBC") and the Agricultural Bank of China ("Agricultural Bank") are as follows:

	2007			2006		
Lender	Principal Amount		Annual interest rate	Principal Amount		Annual interest rate
	RMB	$		RMB	$	
ICBC	-	$ -	-	9,900,000	$ 1,268,408	5.84%
Agricultural Bank	-	-	-	20,000	2,562	5.83%
	-	$ -	Total	9,920,000	$ 1,270,970	Total

(Expressed in U.S. dollars)

13 Shareholders' equity

a) Authorized capital stock

Unlimited common shares without par value
Unlimited number of preferred shares without par value, issuable in series and with special rights and restrictions to be determined on issuance

b) Issued and outstanding capital stock

	Number of common shares	Amount US$
Balance as at December 31, 2005	58,090,520	39,256,667
Exercise of options		
Cash received	650,000	447,035
Reclassification from stock option/warrant account		98,184
Refund of issuance costs for private placement		20,812
Issuance costs for private placement		(564)
Balance as at December 31, 2006 and 2007	58,740,520	39,822,134

c) Contributed Surplus

The following table summarizes the balance of contributed surplus as of December 31, 2007, 2006 and 2005:

	Related to Stock Options	Related to Warrants	Related to others	Total Amount US$
Balance as at December 31, 2005	2,384,090	4,556,800	98,182	7,039,072
Change	352,433	-	(98,182)	254,251
Balance as at December 31, 2006	2,736,523	4,556,800	-	7,293,323
Change	243,227	-	-	243,227
Balance as at December 31, 2007	2,979,750	4,556,800	-	7,536,550

d) Stock options

Under the 2005 Employee Stock Option Plan, the Company may grant options to its directors, officers, and service providers for up to 8,000,000 common shares or such additional amount as may be approved from time to time by the shareholders of the Company. Under the plan, the exercise price of each option is not less than the market price of the Company's stock on the date of grant and an option's maximum term is 5 years. The directors of the Company may determine and impose terms upon which each option shall become vested in respect of option shares. The fair value of each option granted is estimated on the date of grant using the Black-Scholes option pricing model with following assumptions:

(Expressed in U.S. dollars)

	2007	**2006**
Risk free interest rate	3.94% - 4.62%	4.00% - 4.50%
Expected life of options in years	3-5 years	5 years
Expected volatility	49% - 79%	49% - 51%
Dividend per share	$0.00	$0.00

A summary of the Company's options and stock-based compensation amounts at December 31, 2007 and 2006 is presented below:

	Options outstanding	**Amount CAD**	**Amount US$**	**Weighted average exercise price CAD**
Balance - December 31, 2005	5,885,000	3,239,350	2,482,273	1.11
Granted	825,000	398,731	352,434	1.14
Exercised	(650,000)	(138,976)	(98,184)	0.76
Expired/forfeited	(950,000)	-	-	1.22
Balance - December 31, 2006	5,110,000	3,499,105	2,736,523	1.14
Granted	620,000	297,203	270,974	0.63
Exercised	-	-	-	-
Expired/forfeited	(180,000)	(30,433)	(27,747)	0.63
Balance - December 31, 2007	5,550,000	3,765,875	2,979,750	1.10

A summary of the stock options granted in 2007 is as follows:

Grant Date in 2007	**To**	**Shares**	**Exercise Price CAD**	**Fair Value CAD**	**Fair Value Per Option CAD**	**Compensation Expense CAD**	**Compensation Expense USD**
	Officer	200,000	$0.64	$58,000			
	Employee	100,000	$0.64	$29,000			
	Employee	50,000	$0.64	$14,500			
January 3		350,000		$101,500	$0.29	$35,445	$33,123
	Employee	20,000	$0.55	$5,600			
	Employee	30,000	$0.55	$8,400			
April 4		50,000		$14,000	$0.28	$2,567	$2,468
June 27	Director	200,000	$0.63	$68,000	$0.34	$20,778	$20,500
December 3	Officer	20,000	$0.50	$5,349	$0.27	$272	$272
2007 Total		620,000		$188,849	$0.30	$59,061	$56,363

All options granted in 2007 and referred to above vest over a three-year period, with one-third of the options vesting one year after the date of grant, one-third two years after the date of grant, and the remaining one-third three years after the date of grant. During 2007, compensation expense of $243,227 was recognized, after deduction of $27,747 for options forfeited, including $56,363 for options granted in 2007 and $186,864 for options granted in prior years.

(Expressed in U.S. dollars)

The following table summarizes information about the options outstanding and exercisable at December 31, 2007:

	Options outstanding			Options exercisable	
Range of exercise prices CAD	**Number outstanding at December 31, 2007**	**Weighted average remaining contractual life (years)**	**Weighted average exercise price CAD**	**Number exercisable at December 31, 2007**	**Weighted average exercise price CAD**
0.60	1,700,000	0.43	0.60	1,700,000	0.60
1.03	625,000	3.50	1.03	208,333	1.03
1.20	435,000	0.55	1.20	435,000	1.20
1.50	1,850,000	1.80	1.50	1,750,000	1.50
1.80	500,000	2.16	1.80	500,000	1.80
0.64	200,000	4.01	0.64	-	0.64
0.55	20,000	4.26	0.55	-	0.55
0.63	200,000	4.49	0.63	-	0.63
0.50	20,000	2.99	0.50	-	0.50
0.50 to 1.80	5,550,000	2.47	1.10	4,593,333	1.15

e) Warrants

There were no warrants issued or exercised during 2007. The Company’s 8,571,429 warrants expired on July 28, 2007. The following is a summary of warrants at December 31, 2007 and 2006:

	Number of warrants	**Contributed Surplus (Note 13©) US$**	**Weighted average exercise price CAD**
Balance - December 31, 2005	13,993,095	4,556,800	1.81
Expired	(5,421,666)	-	1.50
Balance - December 31, 2006	8,571,429	4,556,800	2.00
Expired	(8,571,429)	-	2.00
Balance - December 31, 2007	-	4,556,800	-

14 Related party transactions

During 2007, the Company paid consulting fees of $284,675 to three companies controlled by two officers and two directors (2006: $141,377 to two companies controlled by one director and one officer).

(Expressed in U.S. dollars)

Accounts payable to these companies for expenses incurred were nil at the end of 2007 (2006: $1,807). Except for the account receivable of RMB2,261,960 ($309,728) from YPCC related to the YSC loan (note 11), there were no other accounts receivables from related parties.

The above transactions, occurring in the normal course of operations, are measured at the exchange amount, which is the fair value consideration established and agreed to by the related parties.

15 Segmented information

Management considers developing an integrated fertilizer business, which includes the development of the phosphate project in China, to be the Company's principal activity. All revenues are earned from sales to customers located in China.

Geographic Segments

					December 31, 2007
	Canada	China Before Impairment	Impairment	China	Consolidated
Current assets	$21,164,992	$ 5,043,297	$ -	$ 5,043,297	$ 26,208,289
Property, plant & equipment	93,923	4,286,203	-	4,286,203	4,380,126
Land used right	-	387,475	-	387,475	387,475
Total assets	$21,258,916	$ 9,716,974	$ -	$ 9,716,974	$ 30,975,890

					December 31, 2006
	Canada	China Before Impairment	Impairment	China	Consolidated
Current assets	$21,185,955	$ 9,854,532	$ -	$ 9,854,532	$ 31,040,487
Property, plant & equipment	32,953	7,992,983	3,968,981	4,024,002	4,056,955
Land used right	-	700,249	359,641	340,608	340,608
Deferred acquisition costs	447,834	-	-	-	447,834
Other assets	-	44,019	-	44,019	44,019
Total assets	$21,666,742	$ 21,704,551	$ 4,328,622	$14,263,161	$ 35,929,903

The Company did not have customers with more than 10% of total sales in 2007 (2006: the Company had sales to one customer amounting to RMB 8,082,242 or $1,013,904).

16 Income taxes

A reconciliation of the combined Canadian federal and provincial income taxes at statutory rates and the Company's effective income tax expense is as follows:

(Expressed in U.S. dollars)

		2007	2006
Income tax provision at statutory rates	$	(1,650,518)	(2,396,900)
Non-deductible and other items		377,770	(37,428)
Foreign losses subject to different tax rates		56,492	68,791
Foreign exchange		(708,661)	
Losses not recognized		1,924,916	2,365,537
Income tax expense	$	-	-

Future income taxes reflect the net effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The significant components of the Company's future income tax assets as at December 31 are as follows:

		2007	2006
Tax loss carryforwards and other amounts	$	3,350,401	3,612,643
Fixed Assets		903,417	1,222,434
Land use right		(1,606)	6,082
Mineral properties		1,408,953	980,165
		5,661,166	5,821,325
Valuation allowance		(5,661,166)	(5,821,325)

At December 31, 2007, the Company has the following unused tax losses available for application against taxable income of future years, and they expire as follows:

2008	$	769,916
2009		839,812
2010		1,142,379
2011		2,432,820
2012		1,513,441
2015		1,014,808
2016		1,114,889
2026		1,347,363
2027		1,542,454
Total	$	11,717,882

17 Financial instruments and concentration of risk

Fair values

The Company's financial instruments include cash and cash equivalents, short term investments, accounts receivable, customer deposits, accounts payable and accrued liabilities, other payable, bank loans, and amount due from joint venture partner. Due to the short term nature of these items, the Company estimates that the fair values of these financial instruments approximate their carrying values.

Credit risk

The Company maintains a substantial portion of its cash and cash equivalents with major financial institutions in Canada and China. Financial instruments that potentially subject the Company to concentration of credit risk are primarily receivables. Management believes that any risk of loss is reduced due to the financial strength of the Company's major customers.

Foreign currency risk

A substantial portion of the Company's business is carried out in Chinese Renminbi, and the Company maintains Renminbi denominated bank accounts and term-deposits. The Company also has short-term investments in US dollars. Fluctuations in exchange rates between the Canadian dollar and Chinese Renminbi and US dollar could have a material effect on the business, results of operations and financial condition of the Company.

18 Commitments

As at December 31, 2007 the Company has the following office lease commitment:

2008	$101,800
2009	$ 12,626

As at December 31, 2007 the Company has the following commitment to pay an engineering design fee related to the planned MAP project discussed in Note (1):

2008	RMB 1,930,500 or approximately $265,000
2009	RMB 148,500 or approximately $20,000

19 Subsequent events

1) In January, 2008, the Company engaged a consulting firm to assist in obtaining government approval for the transfer of the mining license to the Company and other related permits and/or licenses. Compensation for the consulting firm includes monthly retainer fee of US$10,000 commencing January 1, 2008 for three months plus a Success Fee in the form of option to acquire shares of the Company at CAD$0.55 cents based on the following target dates:

a) 250, 000 shares if the mining license transfer takes place before July 15, 2008;

b) 200,000 shares if the mining license transfer takes place between July 15, 2008 and December 31, 2008;

c) 50,000 shares if the mining license transfer takes place after 2008.

Management of the Company has discretion to extend the offer beyond the target dates before the agreement expires on July 15, 2009.

The consulting firm will also be entitled to a 5% fee of any additional investment and project financing that it directly introduces or arranges for the project.

2) In March, 2008 the Company made a commitment to pay for long lead capital equipment related to the MAP project for a value of $1.51 M (RMB 10.87 M) and for supervisor construction for a value of $ 69,000 (RMB 495,000).